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PLR-107310-07

Date:

April 27, 2007

In Re:

Foreign Parent =

Foreign Sub 1 =

Foreign Sub 2 =

US Holdings =

US Life Parent =

US Life Group =

US Life Sub 1 =

US Life Sub 2 =

US Life LLC =

Date 1 =

Date 2 =

County X =

County Y =

State A =

R =

\$aa =

\$bb =

Dear

This letter is in reply to your authorized representative's letter dated February 8, 2007, requesting rulings regarding certain Federal income tax consequences resulting from an anticipated ownership change as defined in § 382(g) of the Internal Revenue Code. The information submitted is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

Summary of Facts

Foreign Parent is a Country X holding company that has operations in several countries, including the United States. Foreign Parent owns all of the stock of Foreign Sub 1, a Country X insurance company. Foreign Sub 1 owns all of the stock of Foreign Sub 2, a Country Y corporation. Foreign Sub 2 owns all of the stock of US Holding, a State A corporation that primarily acts as the holding company for other United States subsidiaries in the Foreign Parent group. US Holding holds all of the stock of US Life Parent, a State A corporation that is the common parent for a life insurance group (the US Life Group) that files a consolidated Federal income tax return. The US Life Group includes US Life Parent and its subsidiaries US Life Sub 1 and US Life Sub 2. US Life Parent wholly owns US Life LLC, which has elected under § 301.7701-3 of the Income Tax Regulations to be an entity disregarded from its sole owner and which owns the stock of US Life Sub 1.

As an insurance company, US Life Parent is subject to extensive insurance regulation and supervision. Generally, state regulatory agencies and private-sector rating agencies monitor compliance with, and periodically conduct examinations regarding many of the following benchmarks: state mandated standards of solvency, licensing requirements, investment limitations, restrictions on the size of risks which may be reinsured, deposits of securities for the benefit of reinsureds, methods of

accounting, and reserves for unearned premiums, losses and other purposes. In order to make these determinations of minimum capitalization, these regulatory and rating agencies look to a formula that is based upon the “Risk Based Capital” (RBC) of the insurance company.

US Life Parent, on behalf of itself and each of its life insurance subsidiaries, is required to calculate minimum capitalization levels for review by various constituencies that use an insurance company’s RBC ratio as a component of a company’s financial strength. State insurance regulators impose certain minimum RBC requirements on insurance companies.

Private-sector rating agencies such as R also consider capitalization as a primary measure of financial strength. Each rating agency defines their version of RBC and provides guidance as to minimum levels to maintain rating agency ratings. If an insurance company does not maintain the minimum level of capital defined by the rating agencies for the current rating level, the rating agency will reduce the rating. Maintaining ratings is necessary for general business operations of a reinsurance company because poor ratings could make it difficult to attract new business.

Generally, when US Life Parent requires additional capital to meet the capitalization requirements described above, Foreign Parent or its subsidiaries contribute capital to US Life Parent. Foreign Parent contributed to US Life Parent approximately \$aa in 2005 and approximately \$bb in 2006 to maintain these required minimum capitalization levels (the “Capital Contributions”). The Capital Contributions include contributions made during the two-year period ending on Date 2, which is the anticipated closing date of the Proposed Transaction defined below.

Proposed Transaction

On or about Date 2, a number of investors will purchase newly issued Foreign Parent stock (the “Proposed Transaction”). As a result, US Life Parent will undergo an ownership change as defined in § 382(g)

Representations

The following representations have been submitted regarding the Proposed Transaction and the Capital Contributions:

(a) US Life Parent is the parent of a loss group as defined in Treas. Reg. § 1.1502-91(c).

(b) US Life Parent has not undergone an ownership change as defined in § 382(g) since Date 1 (a date more than three years before Date 2).

(c) The Proposed Transaction will cause an ownership change as defined in § 382(g) for US Life Parent on the date the Proposed Transaction is consummated.

(d) Each Capital Contribution was made solely to maintain minimum recommended capitalization requirements under various rating and regulatory agency guidelines or to pay routine operating expenses of the US Life Group.

Ruling

Based solely on the information submitted and the representations set forth above, we rule that the Capital Contributions will not be excluded from the value of the old loss corporation under § 382(l)(1) for purposes of computing the value of the old loss corporation and the § 382 limitation within the meaning of § 382(b).

Caveats

We express no opinion concerning the federal tax consequences of the proposed transactions under any other provision of the Code or regulations, or concerning any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above ruling.

Procedural Statements

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with a power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Michael J. Wilder
Senior Technician Reviewer, Branch 1
Office of Associate Chief Counsel
(Corporate)